

(S. B. 934)

(No. 4-2023)

(Approved January 9, 2023)

AN ACT

To amend Section 1031.02 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exempt from income taxes the disbursements or contributions made to active and retired members of the Puerto Rico Police Bureau on account of bonuses granted by virtue of the Police Retirement Fund of Act. No. 106-2017 according to the Defined Contribution for the enhanced retirement of members of the Police; and for other related purposes.

STATEMENT OF MOTIVES

Members of the Puerto Rico Police Bureau devote their best years to protect life and property of all Puerto Ricans from their respective fronts. Despite the abuse, the lack of resources, and other obstacles these public servants have experienced, Puerto Rico can count on men and women who work tirelessly every day to keep this Island safe.

Assuring a dignified pension upon retirement is essential in order for them to maintain a source of income that allows them to meet their obligations and to satisfy their needs which, as a general rule, become more expensive over time. For such reason, Act No. 81-2020 was approved on August 3, 2020, to provide a dignified retirement for the members of the Puerto Rico Police Bureau and other public servants.

The purpose of Act No. 81-2020, which was challenged by the Fiscal Oversight Board, was to do justice to public servants who entered public service under terms that guaranteed a retirement pension of up to seventy-five percent (75%) of their salaries as well as other benefits which underwent excessive cuts under Act No. 3-

2013, including the elimination of the right to a health insurance plan, thus depriving them of an essential tool to be able to deal with their health at a time in their life when they are most vulnerable. Moreover, pensions were more than halved and health insurance plan contributions were eliminated for the public servants who put their lives on the line every day to serve the People.

After a series conversation between the Government of Puerto Rico and the Fiscal Oversight Board, an agreement was reached to create an enhanced retirement for the members of the Puerto Rico Police Bureau under Acts No. 447 and No. 1 through bonuses granted by virtue of the Police Retirement Fund under Act No. 106-2017 according to the Defined Contribution. This agreement grants contributions that, although are not sufficient to reach a pension equal to seventy-five percent (75%) of their salary, provide an enhanced base contribution that varies according to age and years of service. Thus, it is necessary to create a mechanism to encourage the work done by these men and women who risk their lives to make Puerto Rico a safer place.

For all of the above, it is hereby proposed that the “Puerto Rico Internal Revenue Code of 2011,” be amended to exempt from income taxes the disbursements and contributions made to active and retired members of the Puerto Rico Police Bureau on account of bonuses granted by virtue of the Police Retirement Fund under Act No. 106-2017 according to the Defined Contribution for the enhanced retirement of members of the Police.

It is our belief that this legislative measure constitutes an effort to do justice to the work performed by such distinguished public servants. Furthermore, we believe that the financial impact this measure shall have on the Treasury is not significant when taking into account the socioeconomic benefits it shall generate for the Island to be able to restore security vis à vis the rise in criminal activity or dangerous events.

The members of the Police Bureau of the Public Safety Department are always available to fulfill their duties, leaving behind even their families and homes. This

Legislature is firmly to improving the working conditions and quality of life of these selfless public service members.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Section 1031.02(a)(34) of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1031.02.- Exemptions from Gross Income

(a) The following income items shall be exempt from taxation under this Subtitle:

(1) ...

(34) The income earned on account of overtime worked by a member of the Puerto Rico Police Bureau, as such public servant is defined in Section 1.02 of Act No. 20-2017, as amended, known as the ‘Puerto Rico Department of Public Safety Act.’ Likewise, beginning January 1, 2019, the salaries paid retroactively to the members of said Bureau on account of the increases to the basic rates of the salary schedules and the pay raises granted under Act No. 227-2004, as amended, and any other income earned thereby for past promotions according to the salary schedules and which are still unpaid shall be exempt from taxation. For salaries paid in 2018 on account of the aforementioned items, which were not included in the Withholding Statements of said year, a credit equivalent to one hundred percent (100%) of said income shall be granted in 2019. Beginning July 1, 2022, any disbursement or contribution made to active and retired members of the Puerto Rico Police Bureau on account of bonuses granted by virtue of the Police Retirement Fund of Act No. 106-2017, according to the Defined Contribution for the enhanced retirement of members of the Police, shall be exempt from taxation. This Act shall apply retroactively to any disbursement or contribution made prior to its approval under Act No. 106-2017. These exclusions shall not apply to civilian employees of the said Bureau.

...”

Section 2.- The Secretary of the Department of Treasury shall prescribe by regulations, administrative determination, circular letter, or general information bulletin, the form and manner in which the exemptions provided herein shall be applied.

Section 3.- If any part of this Act were held to be void or unconstitutional by a court of competent jurisdiction, such holding shall not affect, impair, or invalidate the remainder of this Act and the holding to such effects shall be limited to specific subject matter of said court ruling.

Section 4.- The provisions of this Act shall prevail over any other provision of law, regulations, or rules that are inconsistent therewith.

Section 5.- This Act shall take effect upon its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 4-2023 (S. B. 934)** of the **4th Regular Session** of the **19th Legislative Assembly of Puerto Rico**:

AN ACT amend Section 1031.02 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exempt from income taxes the disbursements or contributions made to active and retired members of the Puerto Rico Police Bureau on account of bonuses granted by virtue of the Police Retirement Fund of Act. No. 106-2017 according to the Defined Contribution for the enhanced retirement of members of the Police; and for other related purposes.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 7th day of December, 2023.

Mónica Freire-Florit, Esq.
Director